

Mahavira Finlease Limited

FAIR PRACTICE CODE

Preamble

The Reserve Bank of India (RBI), by its notification no. RBI/2006-07/138 DNBS.(PD)/CC No. 80/03.10.042/2005-06 dated 28 September 2006 read with notification no. RBI/2011-12/470 DNBS.PD/CC.No. 266/03.10.01/2011-12 dated 26 March 2012 and Master Circular DNBS (PD) CC No.388/03.10.042/2014-15 dated 1 July, 2014 and other applicable guidelines/directions issued by RBI from time to time, has prescribed the broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (NBFCs) and should be published and disseminated on the web-site of the Company, for the information of the public. Mahavira Finlease Limited or “the Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 and is a Systemically Important Non-Deposit Accepting or Holding Non-Banking Financial Company, registered with the Reserve Bank of India.

Context:

In pursuance of the directions issued by Reserve Bank of India for Non-Banking Financial Companies (NBFCs), the Company, has adopted the following code for fair practices while dealing with customers. The Fair Practice Code (FPC) covers the following areas:

1. Applications for loans and their processing
2. Approval - Loan appraisal and terms/conditions
3. Disbursement of loans, including changes in terms and conditions
4. Disclosures about Interest and Approach for Gradation of Risk
5. Penal Charges in Loan Accounts
6. Consumer information Data Reporting with CIC's
7. Grievances
8. Website Disclosure
9. Loans Sourced over Digital Lending Platforms
10. General Provision
11. Responsibility of Board of Directors
12. Regulation of excessive interest charged by NBFCs
13. Periodic Review – Fair Practice Code

The Company would adhere to the Fair Practices Code mentioned herein below in its functioning as a Non-Banking Finance Company.

1.Applications for loans and their processing

1.1 All communications to the borrower shall be in the vernacular language or a language as understood by the borrower

1.2 Loan application forms would include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form would indicate the documents required to be submitted with the application form.

1.3 The Company would give acknowledgement for receipt of all loan applications. The timeframe within which loan application shall be disposed of shall also be indicated in the acknowledgement. The company would verify the loan applications within a reasonable period of time. If additional details / documents are required, it would intimate the customers immediately.

2.Approval - Loan Appraisal and Terms/Conditions

2.1 The Company would ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with the Company's credit policies and procedures.

2.2 The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter, Key Fact Statement, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest, method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. The Company shall also communicate to the borrower if the loan is rejected. The Company should mention the penal interest charged for late repayment in bold in the loan agreement.

2.3 The Company shall furnish a copy of the loan agreement preferably in the vernacular language or a language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to the borrowers at the time of sanction / disbursement of loans.

3.Disbursement of Loans including Changes in Terms and Conditions

3.1 The Company shall give notice to all its borrowers of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.. The Company shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement/Key Fact Statement.

3.2 Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.

3.3 The Company shall release all securities on repayment of its full dues or on realization of the outstanding amount of the loan of the client subject to any legitimate right or lien for any other claim the Company may have against its borrowers. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

4. Disclosures about Interest and Approach for Gradations of Risk

4.1 Rate of interest:

The Company shall intimate the borrower, the loan amount and annualized rate of interest at the time of sanction of the loan along with the tenure. The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account, including the technology charges. (In case of digital lending)

4.2 Approach for gradation of risk:

The rate of interest is arrived at based on the weighted average cost of funds, administrative costs, risk premium, technology (in case of digital lending) and profit margin. The decision to give a loan and the interest rate applicable to each loan account is assessed on a case-to-case basis, based on multiple parameters such as, borrower's profile, repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, tenure of the loan, geography (location) of the borrower. Such information is collated based on borrower inputs and credit bureau. The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case-to-case basis.

5. Penal Charges in Loan Accounts

In accordance with the RBI guidelines on Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023 the Company shall adhere to the following guidelines with effect from January 01, 2024.

5.1 The Company would ensure that penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.

5.2 The Company shall ensure that there shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.

5.3 The company shall ensure that the quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

5.4 The Company shall ensure that the penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

5.5 The Company shall ensure that whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges are also communicated to the borrowers.

5.6 The Company shall ensure that any instance of levy of penal charges and the reason therefor shall be communicated to the borrowers.

6.Consumer Information Reporting with CIC's

As per the guideline by The Reserve Bank of India (RBI) for credit information reporting and the functioning of Credit Information Companies (CICs), including the Credit Information Bureau (India) Limited (CIBIL). Here are the key updates

6.1 Data Submission: Company shall ensure to submit customer credit data to CIBIL regularly. This includes information on loans, payment history, and defaults, which helps maintain an accurate credit score.

6.2 Dispute Resolution: Borrowers can raise disputes regarding inaccuracies in their credit report. CIC's escalated dispute timely to the Company and the company process to address these disputes within a specified timeframe and report to Consumer and CIBIL to resolve the dispute.

7. Grievances:

7.1 INTERNAL GRIEVANCE REDRESSAL

The Company will devise an appropriate redressal mechanism to handle grievances or complaints regarding lending decisions. The customer has the option to lodge complaints through various customer service channels of the Company which will be seriously taken up at the next higher level of management.

7.2 Periodic Review

The Board of Directors of the Company shall review, from time to time, the Fair Practices Code and the redressal mechanism for grievances. A consolidated report of such reviews shall be submitted at regular intervals to the Board.

7.3 Grievance Redressal Mechanism

The Board of Directors have laid down the appropriate grievance redressal mechanism to ensure that he disputes arising out of the decisions of the Company's functionaries would be disposed of at the next higher level.

With reference to RBI guidelines on outsourcing arrangements issued vide circular dated 9th November 2017, this grievance redressal mechanism includes the complaints received in respect of outsourcing arrangements also.

There will be a periodical review of the compliance of the Fair Practices Code and the functioning of the grievance's redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the board at regular intervals.

Grievance Redressal Officer

Mr. Prashant Mishra is appointed as the Grievance Redressal Officer (GRO) under the Fair Practices Code and digital lending guidelines issued on 02.09.2022 who can be approached by the public for resolution of complaints against the Company. Contact details provided below;

Mobile: +91- 9873008484

Email address: grievance@mahavirafinlease.com

If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of Department of Non-Banking Supervision (DNBS), Reserve Bank of India under whose jurisdiction the registered office of the Company falls. For the benefit of our customers, the above information on "grievances" will be displayed at our branches / places where business is transacted.

8. Website Disclosure

Fair Practices Code, preferably in the vernacular language or a language as understood by the borrower should be put up on the website of the Company, including display of Grievance Redressal Officer details who can be approached by customer for resolutions of complaint and FAQ's related to loan queries.

9. Loans Sourced over Digital Lending Platforms

Wherever the product/business team engages digital lending platforms as their agents to source borrowers and/ or to recover dues, they shall follow the following instructions:

- (a) Names of digital lending platforms engaged as agents shall be disclosed on the website of the Company.

- (b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of Company on whose behalf they are interacting with him.
- (c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower.
- (d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- (e) Effective oversight and monitoring shall be ensured by the product/business teams over the digital lending platforms engaged by them.
- (f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism
- (g) Cooling off/look up period: The customer shall be given an explicit option to exit digital loan by paying the principal and the proportionate Annual Percentage Rate (APR) without any penalty during this period. In this regard, a cooling off/look up period of 07 days from the date of disbursement shall be provided to the customer. The above points shall be duly ensured by the product/business teams.

10. General Provisions

The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the Company). In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise - i.e., objection of the Company, if any - shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law. In the matter of recovery of loans, the Company shall not resort to undue harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

11. Responsibility of Board of Directors

The Board of Directors of the Company shall be responsible and examine that policies need to be Update (as per given guidelines) and execute in proper manner without any discrepancies. The Board of Directors shall also be provided for periodical review of the compliances and the functioning of the Grievances Redressal Mechanism at various levels of management. A consolidated report of such reviews shall also be submitted to the Board at regular intervals.

12.Regulation of excessive interest charged by NBFCs

- (a) The Board of each NBFC shall adopt an interest rate model taking into above mentioned factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- (b) The rates of interest will be periodically reviewed and refined by the Board of Director as per above mentioned factors.

Clarification regarding repossession of vehicles financed by NBFCs

NBFCs must have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement should be followed as per the law and regulations.

13.Periodic Review – Fair Practice Code

According to the latest guidelines from the RBI, **Mr. Rajiv Tyagi** from the Board of Directors is responsible and tasked with periodically auditing, reviewing, and refining the Code, drawing on his expertise as per updated regulations.